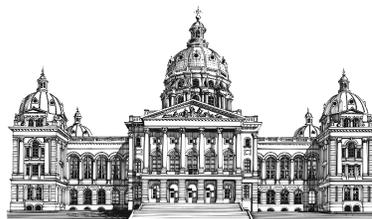


Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
September 23, 1998

Update on Excursion Gambling Boats, Pari-Mutuel, and Slot Machines at Racetracks for FY 1998

(Updated September 1998)

ISSUE

This **Issue Review** provides an update on excursion gambling boat, pari-mutuel, and slot machine operations at racetracks in Iowa. This **Review** does not address or include any information regarding casinos operating by Native American tribes in Iowa because the State receives no revenue, nor does it provide regulation over those operations.

AFFECTED AGENCIES

Department of Inspections and Appeals
Department of Public Safety

CODE AUTHORITY

Chapters 99D and 99F, Code of Iowa

BACKGROUND

History of Gambling in Iowa

- 1983 - SF 92 authorized pari-mutuel gambling (dog and horse racing)
- 1989 - SF 220 authorized simulcasting at pari-mutuel racetracks
- 1989 - SF 124 authorized excursion boat gambling
- 1994 - HF 2179 authorized slot machines at pari-mutuel racetracks, removed the \$5 bet limit and the \$200 daily loss limit for excursion gambling boats, and allowed all facilities to operate 24-hours a day

Regulation of Gambling in Iowa

The Iowa Racing and Gaming Commission administers pari-mutuel wagering laws, excursion boat gambling laws, and agency rules to assure the integrity of racetrack and excursion boat gambling operations. The five Commission members are appointed by the Governor and confirmed by the Senate.

The Racing and Gaming Commission (RGC) within the Department of Inspections and Appeals, and the Division of Criminal Investigation (DCI) of the Department of Public Safety are responsible for regulation of gambling operations. The RGC processes occupational license applications, prepares and interprets administrative rules, reviews incident reports,

and observes activities to insure compliance with laws and regulations. The DCI performs background checks of employees and provides on-site enforcement of regulations.

Revenue Flow

Excursion gambling boat and racetrack owners pay a wagering tax on gambling revenue. The wagering tax is distributed to:

- The city in which the excursion gambling boat or racetrack is located.
- The county in which the excursion gambling boat or racetrack is located.
- The Gamblers Assistance Fund.
- The State General Fund.
- The Rebuild Iowa Infrastructure Fund.

Refer to **Attachment A** for detailed information on how the wagering tax is calculated and distributed for the various types of gambling.

House File 2421 (Transportation and Capitals Appropriations Act), passed during the 1996 Legislative Session, placed a cap on gambling revenues to the General Fund at \$60.0 million per year beginning in FY 1996. All gambling revenues in excess of \$60.0 million go to the Rebuild Iowa Infrastructure Fund (RIIF). The RIIF received \$46.1 million in FY 1996, \$69.6 million in FY 1997, and \$85.1 million in FY 1998 from gambling revenues. Gambling revenues received by the State include wagering taxes, admission fees from racetracks, and operating license fees. Wagering tax revenue comprised 97.0% of the gambling receipts for FY 1998.

Revenues - Wagering Taxes

Figure 1 shows that the wagering tax revenue generated by gambling enterprises, other than the Lottery, totaled \$140.7 million in FY 1998. This is an increase of \$15.4 million (12.3%) compared to FY 1997.

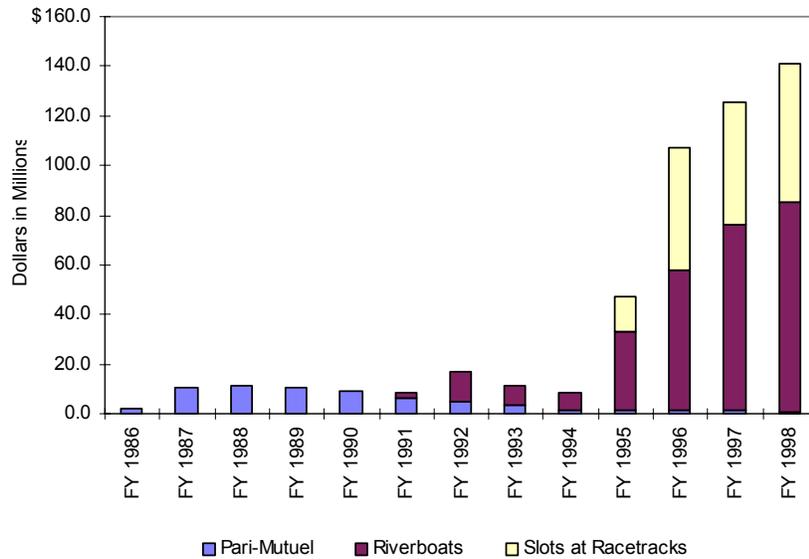
Figure 1
Wagering Tax Revenue

	Pari-Mutuel	Excursion Boats	Slots at Tracks	Total
FY 1986	\$ 2,105,033	NA	NA	\$ 2,105,033
FY 1987	10,698,238	NA	NA	10,698,238
FY 1988	11,093,673	NA	NA	11,093,673
FY 1989	10,347,942	NA	NA	10,347,942
FY 1990	9,420,393	NA	NA	9,420,393
FY 1991	6,306,801	\$ 1,928,361	NA	8,235,162
FY 1992	4,754,226	12,160,807	NA	16,915,033
FY 1993	3,870,334	7,637,891	NA	11,508,225
FY 1994	1,695,859	6,841,758	NA	8,537,617
FY 1995	1,729,751	31,723,085	\$ 13,539,467	46,992,303
FY 1996	1,078,259	56,373,341	49,328,414	106,780,014
FY 1997	1,061,316	75,288,897	48,943,943	125,294,156
FY 1998	1,038,924	84,484,131	55,184,445	140,707,500
	<u>\$ 65,200,749</u>	<u>\$ 276,438,271</u>	<u>\$ 166,996,269</u>	<u>\$ 508,635,289</u>

Figure 2 shows an increase in FY 1998 wagering tax revenue from excursion gambling boat and slot machine gambling and a general decline since FY 1989 in wagering tax revenue from pari-mutuel gambling.

Figure 2

Wagering Tax Revenue by Gambling Type



The overall increase in wagering tax revenue from excursion gambling boats can be attributed to changes made during the 1994 Legislative Session, including the elimination of the maximum \$5 bet and \$200 loss limits. Also eliminated were restrictions on cruise schedules and operating hours, making the accessibility of excursion boat gambling comparable to that of land-based casinos. Nine riverboats operated during all of FY 1998 and FY 1997, nine boats operated during a portion of FY 1996, seven boats operated during FY 1995 and three during FY 1994. In November 1997, the Racing and Gaming Commission approved an excursion gambling boat license for a boat to be located near Osceola currently expected to begin operation in June 1999. Recently the Commission passed a rule that indefinitely prohibits the issuance of new casino licenses for excursion boats and racetracks effective September 1998.

Revenues - Admission Fees

The State also receives revenue from the admission fees collected by the Racing and Gaming Commission from the racetracks and excursion gambling boats. Racetracks pay an admission fee of fifty cents for each person entering the grounds or enclosure of the racetrack. Excursion gambling boats pay an admission fee for each person embarking on a boat based on a formula set by Section 99F.10, Code of Iowa. The admission fees charged to the boats are determined by the amount appropriated to the Racing and Gaming Commission for excursion gambling boat regulation plus 65.0% of the salary costs for a maximum of two DCI special agents and four DCI gaming enforcement officers for each boat. The admission fees from excursion boats are paid to the General Fund but are not considered part of the gambling revenue included in the amount over \$60.0 million deposited in the RIIF. Figure 3 shows the admission fees paid by racetracks and excursion gambling boats totaled \$6.9 million for FY 1998, an increase of \$303,000 (4.6%) compared to FY 1997.

Figure 3

Admission Fees from Gambling Facilities

Excursion

	Racetracks	Boats	Total
FY 1995	\$ 1,439,064	\$ 1,001,164	\$ 2,440,228
FY 1996	3,989,150	1,996,904	5,986,054
FY 1997	4,107,283	2,443,950	6,551,233
FY 1998	4,202,914	2,651,688	6,854,602
Total	\$ 13,738,411	\$ 8,093,706	\$ 21,832,117

Total Gambling Revenues - All Sources

Gross gambling receipts at all sources (boats, tracks, lottery) totalled \$11.7 billion in FY 1998. This total equals spending by lowans of \$4,110 per capita.

Regulation Expenditures

State gambling regulation expenses are incurred by the Division of Criminal Investigation (DCI) and the Racing and Gaming Commission (RGC). Figure 4 shows that regulation expenses totalled \$6.9 million for FY 1998, a decrease of \$70,000 (1.0%) compared to FY 1997.

Figure 4

State Gambling Regulation Expenditures

	Excursion Gambling Boats		Pari-Mutuel and Slots		Total	
	DCI	RGC	DCI	RGC	DCI	RGC
FY 1990	\$ 751,149	\$ 0	\$ 252,604	\$ 0	\$ 1,003,753	\$ 0
FY 1991	1,283,203	1,922,053	288,897	1,878,605	1,572,100	3,800,658
FY 1992	1,274,315	540,891	248,719	1,713,476	1,523,034	2,254,367
FY 1993	1,082,133	605,926	293,158	1,692,845	1,375,291	2,298,771
FY 1994	1,157,436	602,509	306,540	1,739,818	1,463,976	2,342,327
FY 1995	2,228,737	656,828	588,051	1,559,293	2,816,788	2,216,121
FY 1996	3,160,017	1,042,272	545,151	1,856,678	3,705,168	2,898,950
FY 1997	3,409,132	1,200,451	475,499	1,928,098	3,884,631	3,128,549
FY 1998	3,285,445	1,267,768	418,945	1,971,267	3,704,390	3,239,035
Total	\$17,631,667	\$ 7,838,698	\$ 3,417,564	\$14,340,080	\$ 21,049,131	\$ 22,178,778

The Commission does not separate the regulation expenditures by pari-mutuel and slot machine operations.

CURRENT SITUATION**Excursion Gambling Boats and Racetracks Currently in Operation**

Name	Location	Operations
Excursion Gambling Boats		
President	Davenport	904 slot machines 44 table games
Mississippi Belle II	Clinton	486 slot machines 17 table games
Diamond Jo	Dubuque	650 slot machines 39 table games
Catfish Bend	Southeast Iowa	489 slot machines 30 table games
Miss Marquette	Marquette	698 slot machines 36 table games
Belle of Sioux City	Sioux City	447 slot machines 24 table games
Lady Luck	Bettendorf	1,036 slot machines 44 table games
Ameristar II	Council Bluffs	1,072 slot machines 43 table games
Kanesville Queen - Harvey's	Council Bluffs	1,084 slot machines 58 table games
Racetracks		
Bluffs Run	Council Bluffs	dog racing simulcasting 1,228 slot machines
Prairie Meadows	Altoona	horse racing simulcasting 1,129 slot machines
Dubuque Greyhound Park	Dubuque	dog racing simulcasting 553 slot machines

Revenues

Wagering tax receipts from excursion gambling boats in FY 1998 were \$84.5 million. This is an increase of \$9.2 million (12.2%) compared to FY 1997. Refer to **Attachment B** for information on individual excursion gambling boats.

Wagering tax receipts from pari-mutuel gambling in FY 1998 (CY 1997) were \$1.0 million. This is a decrease of \$22,000 (2.2%) compared to FY 1997 (CY 1996). Refer to **Attachment C** for information on individual racetracks.

Wagering tax receipts from slot machines at Bluffs Run, Prairie Meadows, and Dubuque Greyhound Park totaled \$55.2 million during FY 1998. This is an increase of \$6.2 million (12.8%) compared to FY 1997. Refer to **Attachment D** for detailed information.

BUDGET IMPACT

The Racing and Gaming Commission estimates total FY 1999 revenues to the General Fund of \$81.3 million from excursion gambling boats, \$1.3 million from pari-mutuel facilities, and \$59.7 million from slot machines at race tracks. This is an increase of \$1.7 million (1.2%) compared to FY 1998 wagering tax revenues of \$140.7 million. With the \$60.0 million cap placed on gambling revenue to the General Fund, an estimated \$84.9 million in gambling revenue would go to the Rebuild Iowa Infrastructure Fund in FY 1999.

The Racing and Gaming Commission and the Division of Criminal Investigation have received appropriations for FY 1999 of \$3.4 million and \$3.3 million, respectively, for regulation of gaming operations. This is an increase of \$77,000 (1.2%) compared to FY 1998.

STAFF CONTACT: Paige Piper/Bach (Ext.14613)